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## Action Required

Recommendation: Approve Minutes from June 28, 2006.

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### **TECHNOLOGY SERVICES BOARD DEPARTMENT OF TECHNOLOGY SERVICES**

#### **PUBLIC MEETING MINUTES June 28, 2006**

The Technology Services Board (TSB) met in open session, pursuant to the provisions of the Bagley-Keene Open Meeting Act, at approximately 10:00 a.m., at the California Environmental Protection Agency building, located at 1001 I Street, Sacramento, California 95814.

#### **1. Call to Order**

Fred Klass, representing Chairman Clark Kelso, called the meeting to order at 10:05 a.m.

Vice Chair Fred Klass introduced Joan Keegan of DTS as the new Board Secretary.

Member roll call was completed in the following order:

##### **Present**

1. Thomas Johnson, Department of Veterans' Affairs Secretary (Designee John Hanretty)
  2. Mike Chrisman, Resources Agency Secretary (Designee Patrick Kemp)
  3. Henry Renteria, Office of Emergency Services, Director (Designee Frank McCarton)
  4. Victoria Bradshaw, Labor & Workforce Development Agency Secretary
  5. Kim Belshé, Health & Human Services Agency Secretary (Designee Ann Boynton)
  6. Michael C. Genest, Department of Finance Director (Designee Fred Klass)
  7. Fred Klass, Vice Chair
  8. Rosario Marin, State & Consumer Services Agency Secretary (Designee Will Bush)
  9. Linda S. Adams, California Environmental Protection Agency Secretary (Designee Dr. Shankar Prasad)
  10. James E. Tilton, Acting Secretary, California Department of Corrections and Rehabilitation (Designee Sandra Duveneck)
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11. Sunne Wright McPeak, Business, Transportation & Housing Agency Secretary (Designee Michael Liang)

**Absent**

1. J. Clark Kelso, California Chief Information Officer
2. Steve Westly, Controller (Designee Michael Carter)
3. A. G. Kawamura, Department of Food & Agriculture Director (Designee Michael Hetrick)

DTS Director P. K. Agarwal introduced Mitzi Higashidani as the new Chief Deputy Director of DTS and Vanessa Rose, DTS Staff Counsel.

Director Agarwal reported approximately 800 people viewed the March 29, 2006, TSB meeting's webcast. Director Agarwal also reported work is being done on a Request for Proposal to have these services provided not only for DTS, but for other departments as well. Director Agarwal introduced today's pilot webcast provider, Chuck Brockman representing ON-24.

Director Agarwal introduced Karan Marsh of the DTS who helped manage the TSB meeting logistics.

Fred Klass asked the Board to insert updated materials into their binders, including Clark Kelso's "California in Touch" report, the Audit Committee report, and material from the Department of Finance. Copies were available for the public.

**2. Approve March 29, 2006, Meeting Minutes – Action Item**

Fred Klass called for adoption of the March 29, 2006, Board meeting minutes with corrections of some typographical errors. A motion to approve the minutes was made, seconded, and unanimously approved.

**3. Chairman's Report**

Fred Klass presented Chairman Kelso's white paper, "California in Touch" [http://www.cio.ca.gov/PDFs/California\\_In-Touch\\_Vision\\_5-10-06.pdf](http://www.cio.ca.gov/PDFs/California_In-Touch_Vision_5-10-06.pdf). California is close to establishing policies and standards for the State's presence on the internet to be more customer oriented, trustworthy and responsive.

The 21<sup>st</sup> Century Project is well underway, is past the procurement stage, and is in the development stage. This is the first enterprise-wide system the State has engaged in and replaces the legacy payroll system of the State Controller's Office.

Chairman Kelso has been working with the unions, the Department of Personnel Administration and the State Personnel Board on a new system for classifying State IT



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professionals to better assist State government in getting its work done and provide more opportunity for IT professionals. An Assembly Bill has cleared its first house and is now awaiting hearing in the Senate policy committee.

### **3A. Audit Committee – Information Item**

At the last meeting, the Board established a subcommittee to deal with audits as required by statute. The Subcommittee is to ensure an independent financial audit of DTS. The subcommittee includes J. Clark Kelso, Fred Klass, Will Bush, and non-voting representative Michael Carter. The Subcommittee met on June 15, 2006, and adopted a charter, and a statement of work and timeline for the financial audit. A work-plan for the audit must be established. State statute requires the audit must be concluded within 120 days from the end of the fiscal year, making this due in October. In State government, most of the books are not closed until September. Given this, Chairman Kelso will contact members of the Legislature to let them know the timeframe is unrealistic and that we will not meet this timeframe. The Subcommittee will expedite the effort and, if necessary, will seek a statutory change to make the timeline in statute more practical for the Board.

### **3B. Services Committee**

The services committee item will be deferred until the next meeting.

## **4. Financial Update**

### **4A. Budget Update – Information Item**

Director Agarwal reported that DTS is within its 2005-06 budget and explained some of the uniqueness of the DTS budget. Ann Boynton asked if DTS would allow departments to review invoices prior to direct transfer payments. Director Agarwal explained adjustments can be made afterwards, but DTS would look into a review process prior to the direct transfer occurring.

### **4B. Approval of Rates – Action Item**

Director Agarwal reviewed rate guiding principles and provided a summary of the Department's first rate realignment. He stated rates are representative of DTS costs, but also take into account the DTS policy of avoiding any net increase for individual customers. Director Agarwal described how the rate structures are being consolidated and simplified with one set of rates for both data centers. DTS customers will experience an overall rate reduction of \$16.3 million annually.

There will be two additional rate realignments over the next fiscal year.



Director Agarwal observed that the current process for creating rates is linear and takes four to six months. One principal mission of DTS is shared services to create efficiencies for the State. This impacts DTS' ability to get new services/products to market. Director Agarwal will bring recommendations regarding this to the next Board meeting.

Mark Hill, Department of Finance, provided his assessment of the rate proposal. Mr. Hill recommended DTS develop a formal, documented rate-setting methodology and policy for setting rates, including policies regarding subsidized rates for new services.

Public Comment: Lee Macklin, California Enterprise Architecture Program, asked if a rate structure has been determined for multiple customers' shared services. Director Agarwal stated we will work with the Department of Finance to articulate the uniqueness of the methodologies to be drafted.

Anne Boynton asked if the administrative fee of 5% for pass-through costs is the same fee currently being paid. Glen Matsuoka, DTS Deputy Director for Administration, responded that the referenced administrative fee is a cost allocation that will be reviewed on an annual basis. He also stated this is the first time this fee has been set for DTS.

Fred Klass stated to Director Agarwal the importance to document and make the process of setting rates as transparent as possible. He asked that DTS staff research if private companies generate their rates through an automated process. Mr. Klass stated that he thought it was important we move as far away from subsidies as possible and be as quantitative and objective as possible in setting rates.

Motion to approve the rates was moved, seconded, and approved.

## **5. Director's Report**

### **5A. Approve Statewide Email Plan – Action Item**

Director Agarwal announced the new DTS statewide email service to be effective September 1, 2006. Key services include 24-hour-a-day availability, 7/24 Service Desk support, increased mailbox size, spam and virus protection, and web access to email services for traveling employees. DTS' intent is to grow from 18,000 email boxes to 35,000 by the end of 2006, and 50,000 by the end of fiscal year 2007. DTS hasn't had much experience with transitioning email users and that is a caveat with these growth estimates. Director Agarwal suggested to the Board that no mandate be given departments for adopting this service.



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Director Agarwal indicated DTS can ultimately be competitive with a benchmark rate of \$5.52 per mailbox per month. Typical department cost is roughly estimated by DTS at \$10 to \$20 per mailbox. DTS intends to have the rates available to the Department of Finance in about 30 days.

Given the rates have an economy-of-scale element, rates will initially be set based on the projected growth rate.

Anne Boynton supports the recommendation that the cost model not penalize early adopters and recommended an enterprise development fund be established to help fund new services.

John Hanretty, Department of Veterans' Affairs, also suggested that the Board request all departments who have self-administered email begin their cost analysis now to create a benchmark cost.

Will Bush suggested a review of email costs by small, medium and large organizations. He stressed the need to develop incentives to encourage organizations to participate in the statewide email service offering. He encouraged Director Agarwal to develop a cross platform architecture for email. Director Agarwal responded that a statewide address standard should also be investigated.

Victoria Bradshaw expressed concerns about email spam, particularly on Blackberries.

Fred Klass said it is important departments look into this service and mentioned that transparency is key along with a realistic assessment of the project's success. He requested DTS keep the Board apprised.

Motion to approve the recommendation was moved, seconded, and approved.

## **5B. Disaster Preparedness – Information Item**

DTS is embarking on a disaster preparedness effort that will probably span a couple of years. Director Agarwal indicated that many times, business leaders and executives don't understand how important business recovery and operational recovery have become. He also discussed a misperception that DTS can easily have one of the data centers back up the other data center. However, additional capacity is required to accomplish such redundancy along with determining the priority applications should receive. DTS is working with OES to look at operational recovery and disaster planning. DTS will ask stakeholders if they are comfortable with the current 72 hour recovery option. Director Agarwal expects that it is not acceptable. By December 1, 2006, a high-speed line will be operational between the two DTS sites allowing for some duplication of resources.

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DTS' long-term vision is to establish the Gold Camp site as the primary control center with satellite centers established outside the 500 year FEMA flood plain.

Frank McCarton announced that OES is putting on two workshops in July and August. He asked for Director Agarwal's staff to come and do some presentations at those workshops. Mr. McCarton also offered the OES GIS models to develop risk analysis on proposed DTS sites. Director Agarwal accepted the offer.

The timeline to complete the study, obtain funding and implement the plan is by the 4th quarter of 2007. DTS will be asking customers what their disaster recovery needs are. To support the Governor's Executive Order, DTS, OES and the State CIO are offering a briefing for senior executives to better understand how critical IT is to their business and what their recovery options are today.

Public Comment: Lee Macklin, California Enterprise Architecture Program, asked if the newer non-mainframe platforms such as UNIX will have equal treatment to mainframes for disaster preparedness. Director Agarwal responded that this planning is not limited to just mainframes, but other platforms also.

Ann Boynton requested Director Agarwal to push agencies to think longer term on what systems we have that we might want to move into the DTS system.

Dr. Prasad recommended DTS do a little more public relations and outreach work on emergency preparedness.

Fred Klass commented that DTS is going to do more than provide better technology services, it's going to help State government act as a single unit. All departments need to get together to work toward a common approach to IT services.

## **6. Miscellaneous Non-Agenda Information Items**

### **6A. Consolidation Update**

Director Agarwal indicated that DTS is starting to see savings from the consolidation of the data centers and telecommunications function. DTS has saved \$1.1 million in the current year. Process consolidations are nearing completion. Facilities consolidation is continuing and over a three-year cycle software contracts will be consolidated. Things are going well and we are working through the change management process.



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## **6B. IT Project Updates – Server Based Computing**

Mitzi Higashidani explained this service allows you to access your desktop applications through the Internet whether at home or traveling. Security, spam filtering, and data backup are all included through this DTS service. Many departments are interested in the Server Based Computing Service which became available on June 27, as planned.

## **7. New Agenda Items**

Fred Klass would like to consider follow-ups on:

- Documentation for the rate setting process
- Service development fund
- Services Committee

## **8. Public Comment**

Kathy Curtis from the Legislative Analyst Office commented on Anne Boynton's comments on working capital investment for future services; she would like to see this addressed further and consider how it affects federal funding.

## **9. Meeting Adjournment**

The meeting was adjourned at 11:23 a.m.